

**Outline of Q&A Session at Investors Meeting on
Results for the Three Months Ended September 30, 2017 (Held on October 27, 2017)**

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Q. In terms of paid search advertising, it looks as if the YoY growth rate of revenue via PC is recovering while the revenue via smartphones is slowing down. Please explain the present situation and future prospects.

A. The YoY growth rate of paid search advertising in PC grew better than expected due to increase in revenue from partner sites. We foresee that, in FY2017 3Q, overall growth rate of paid search advertising will be in the low single digits, since a year has passed since we began the product improvement measures in August 2016.

Q. What are the factors behind the improvement in YoY growth rate of YDN and others?

A. Revenue of In-feed Advertising steadily grew due to the increase in advertising frequency in smartphones.

Q. In order to optimize the advertising display pages, you have terminated the distribution of YDN to some of your partner websites in FY2017 1Q. Did the negative impact continue from this termination in 2Q?

A. We expect that the impact of terminating the distribution to some partner sites will continue for a year from the termination.

Q. Why is the revenue growth of video advertising sluggish?

A. Although we have sufficient slots in which we can distribute video ads, we have not been able to increase the number of distribution as expected. Meanwhile, we have begun distributing automatic play of video contents/ads in 3G/4G networks, and plan to begin the distribution of video advertising in browser version within this fiscal year. Traffic, the basis of ad distribution, is increasing; therefore, we would like to steadily increase the number of video ad distribution while we take users' service usability in consideration.

Q. How do you foresee the outlook of video advertising?

A. First, we are expanding the video content in order to make video viewing a habit among users. Meanwhile, we are planning a gradual introduction of video advertising. In addition to In-feed Video Advertising, we will introduce branding-type Premium Video Advertising to smartphones in the future. In March 2017, we began distributing In-feed Video Advertising to Yahoo! JAPAN Top Page app, and we aim to begin distributions to smartphone browser version within FY2017. In terms of Premium Video Advertising for smartphones, we would like to begin distributing the browser version within 2017 and app version in FY2018.

We forecast that the contribution of smartphone video advertising to revenue to be limited in FY2017. We hope to expand video advertising as users become accustomed to viewing videos.

Q. How is the pricing of video advertising in smartphones?

A. The price of In-feed Video Advertising is decided through auctions among advertisers. We will consider the pricing of Premium Video Advertising as we move forward. However, we expect the price to be higher, since it will be highly expressive compared to still images.

Q. While the sales promotion cost for YAHUOKU! is increasing, I had the impression that the YoY growth rate of its transaction value is not high enough. Please let us know what kind of issues YAHUOKU! is currently facing, and countermeasures.

A. We regard that the transaction value is maintaining a steady growth rate. In order to achieve an even higher growth rate, we need to increase both sellers and bidders. As a measure to increase sellers, we are continuing to appeal the flea market mode that we began in February 2017. This mode meets the demand of the sellers who want to sell quickly at a fixed price instead of bidding, which is a demand specific to the smartphone era. Towards bidders, we appeal not only the flea market mode but also the original value of YAHUOKU!, which is that unique and unusual items can be purchased in this service. Increase in sellers precedes the increase in bidders – this structure remains unchanged. We wish to accelerate the growth rate of transaction value by steadily continuing to pursue with the abovementioned measures.

Q. Sales promotion cost for Media service and Membership service is increasing. Please tell us the specifics of the measures and their aims.

A. For Media service, we have made investments in TV commercials, etc. in order to expand the number of DAU of apps. For Membership service, our investment was mainly in contents expansion and TV commercials for GYAO!. We aim to increase the users of GYAO! in response to the growing importance of video contents.

Q. Please explain the outlook of sales promotion cost for FY2017 3Q. Will you continue with the investments in Media and Membership services, and at the same time increase investments in e-commerce as sales season becomes closer?

A. At the moment, we do not plan to conduct a promotional measure for the Media service in 2H. Investment in GYAO! in our Membership service is included in the investment to increase e-commerce transaction value because it is one of the measures to strengthen Premium membership privileges. Therefore, this investment is scheduled to continue in 2H.

Our plan of spending JPY 51 billion as sales promotion cost is proceeding as planned. However, please note that some of the cost for sales promotion is recorded as sales promotion cost, while others are not recorded as sales promotion cost because they are deducted from revenue. Currently, the cost that is deducted from revenue is less than planned, and there is a tendency that the cost is recorded as sales promotion cost. Therefore, the sales promotion cost is increasing. However, the guidance for full year operating income remains unchanged at JPY 175 – 185 billion.

Q. The growth rate of Premium members is largely expanding compared to the same quarter last year, but seems to be sluggish compared to last quarter. How do you see the growth rate moving on?

A. SoftBank members who have a smart log-in setting so that their Yahoo! JAPAN ID is linked with the SoftBank member information, are counted as Premium members. Therefore, the number of Premium members surged in FY2017 1Q, when this system was introduced. After that, we expect there will be a gradual increase as the number of users who make smart log-in setting will increase.

Q. Why is the growth in the number of monthly paid-membership IDs flat compared to last quarter?

A. Although the number of Premium members increased due to the linkage with SoftBank, the number of monthly paid-membership IDs remained flat. This is because the operator that will provided Y!mobile's "Protection Plan for Malfunctions" has been changed from Yahoo Japan Corporation to Y!mobile (SoftBank Corp.). We think that the impact of this

change in provider on earnings to be extremely small.

Q. What kind of measures is being conducted to induce the e-commerce users of other companies to use “Yahoo! Shopping”?

A. First of all, we are creating a service that has better deals than the e-commerce services of other companies. In addition, it is important to make the users aware that we have a better deal than our competitors. We appeal this by distributing banner ads and emails to SoftBank members and users who we assume to be using our competitors’ e-commerce services. We use our ads and our targeting technology for this purpose. Furthermore, we will conduct measures that will attract the attention of users, such as lotteries for Good Shopping Day and year-end sales. We are making solid improvements leveraging data, and we regard that we are seeing results.

Q. You explained that the additional investment amount towards becoming a data-driven company is JPY 2.1 billion in FY2017 2Q. How is this compared to the JPY 15 billion plan made for the full fiscal year?

A. We have made additional investments to become a data-driven company of JPY 4 billion for 1H: JPY 1.9 billion in 1Q and JPY 2.1 billion in 2Q. This is expected to further increase towards 2H, but we think that it may not reach JPY 15 billion for the full year.

Q. You explained that compared to the previous fiscal year, an additional investment of JPY 40 billion will be made in FY2017. To what extent will you be making additional investments in FY2018? Please tell us the breakdown of the changes compared to FY2017.

A. Investments related to e-commerce will mainly be made in sales promotional activities. Around half of sales promotion cost will be used for point provision, and the rest will be used for promotional expenditures such as TV commercials. Expenditure for point provision will increase in line with the increase in transaction value. Since we plan to continue focusing in increasing the transaction value, it is highly likely that this expenditure will continue to increase in the future. We will judge the amount of point provision cost in correlation to ad revenue. Other e-commerce related investments for FY 2018 will be determined based on the results of FY 2017.

The main components of investments to be made in order to become a data-driven company are: personnel expenses, business commissions, and depreciation and amortization. In FY 2017, we focus on hiring personnel and on consignments, thus these are expected to largely increase year on year. The investment amount may seem to be

small in 1H, but this will increase towards 2H. Depreciation and amortization is still small compared to CAPEX. Until the increase in CAPEX slows down in the next few years and depreciation and amortization level with CAPEX, we expect the depreciation and amortization to continue increasing for a while.

Q. How is location information used for YDN? What kind of results is expected?

A. We aim to improve the CTR of YDN by distributing the most appropriate ads according to user location.